

ECONOMIC PULSE

A MONTHLY REPORT ON MARYLAND'S ECONOMY

JUNE 2001

HIGHLIGHTS

Maryland Still Outpacing Nation

Maryland's job growth rate far exceeds the national average. However, the state's job growth rate also slowed – down to 1.4 percent in April from 1.7 percent the previous month.

U.S. Economic Growth Slows

U.S. real GDP growth slowed to a 1.3 percent annual rate during first quarter 2001, down from the 5.0 percent rate during calendar year 2000. Corporate retained earnings fell. Job growth rate fell to a mere 0.6 percent in April, the unemployment rate increased over the year, and jobless claims soared.

BWI Has Record Year

BWI Airport set a record in passenger volume in 2000. From 1992 to 2000, passenger volume more than doubled – from 8.8 million to 19.6 million. To deal with current and anticipated future growth, the state has made significant investment commitments.

Snapshot Maryland

Maryland's overall economic growth remains positive and relatively strong. In April, Maryland had a job growth rate of 1.4 percent. The state's unemployment rate fell to 3.3 percent in April 2001 from 3.5 percent a year ago. However, the pace of growth has slowed considerably from last year and remains below the level of the first quarter of 2001. The state's job growth ranking also fell — from 14th in March to 22nd in April.

Initial claims for unemployment insurance (UI) jumped 40 percent in Maryland and 53 percent in the U.S. during the one-year period from April 2000 to April 2001. In another sign of a slowing economy, help wanted ads fell sharply.

Labor market data continue to belie expectations. While job growth numbers show a slowing

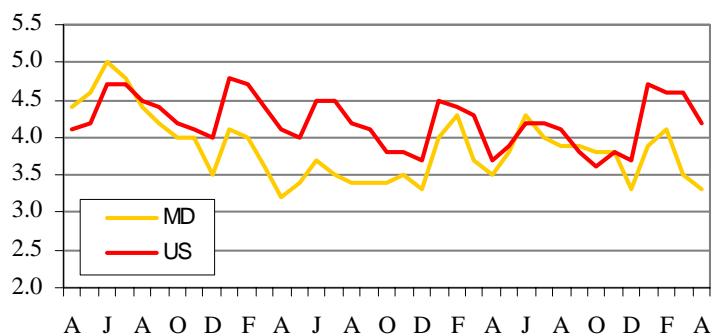
economy, Maryland's labor force and employment by place of residence are growing strongly. This is most likely a reflection of the strong labor market in the Washington, DC metropolitan area. During the past year, Maryland's labor force and employment by place of residence grew at 3.8 percent and 4.0 percent, respectively. By comparison, the nation's labor force grew only 0.5 percent, while employment fell slightly.

Over the April 2000-April 2001 period, the state's unemployment rate fell from 3.5 to 3.3 percent, while the U.S. rate increased from 3.7 to 4.2 percent. Temporary Cash Assistance (TCA) caseload remained virtually unchanged over the year.

Labor Market Trends, April 2001 (Percent Change, April 2000 - April 2001)

	MD	U.S.
Growth of Civilian Labor Force	3.8	0.5
Employment by Place of Residence	4.0	-0.1
Job Growth (by place of work)	1.4	0.6
Temporary Cash Assistance – Caseload	-0.2	–
Change in Initial UI Claims	40.0	53.1
Help-wanted Counts	-52.4	–
Unemployment Rate (current month, %)	3.3	4.2

Unemployment Rate, MD vs. U.S.
April 1998 - April 2001



Source: Maryland Dept. of Labor, Licensing & Regulation
and U.S. Bureau of Labor Statistics

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Jobs and Sectors

Maryland's job growth rate fell to 1.4 percent in April from 1.7 percent in March and 2.7 percent in February. The state's economy added 33,800 net new jobs from April 2000 to April 2001. Seventy one percent of all net new jobs were created in the services sector. In absolute terms, the services sector added 24,000 jobs in April. Within the services sector,

Percent Change in Jobs April 2000 - April 2001

	MD	U.S.
Construction	2.6	2.8
Manufacturing	-1.8	-2.8
FIRE	1.2	0.9
TCU	3.5	1.8
Trade	0.3	0.8
Services	2.8	1.7
Business	0.8	-1.4
Health	2.2	2.2
Government	0.3	0.0
Total	1.4	0.6

health services added 4,400 net new jobs. Other significant job gainers were construction (up 4,000); transportation, communication and utilities (up 4,000); business services (up 1,800); finance, insurance and real estate (up 1,700) and trade (up 1,700).

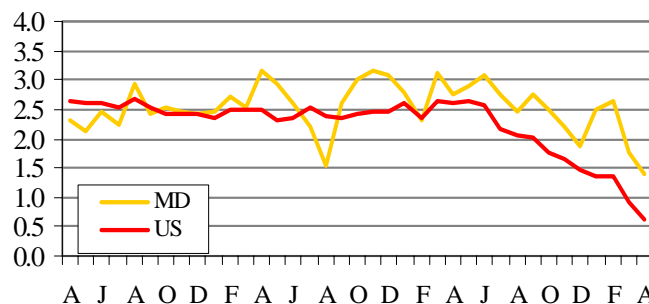
Maryland registered higher growth rates in

most industry sectors, compared with the nation. Transportation, communication and utilities led all sectors with a growth rate of 3.5 percent. Services had a growth rate of 2.8 percent, followed closely by construction at 2.6 percent.

Within the services sector, health services had a job growth rate of 2.2 percent.

In April, passenger volume at the Baltimore-Washington International Airport rose by nearly 14 percent. Cargo volume, however, fell 20 percent. The housing market remains strong, due largely to strong income growth, steady consumer confidence and relatively low interest rates. Existing home sales rose 13 percent in Maryland and 4.2 percent in the U.S. from April 2000 to April 2001. Permits for new residential units fell 0.9 percent in Maryland, but rose 5.8 percent in the U.S. New automobile registrations fell 0.7 percent in Maryland and 2.8 percent in the U.S. during the past year.

Job Growth, MD vs. U.S.
April 1998 - April 2001



Source: U.S. Bureau of Labor Statistics

Update on the U.S. Economy

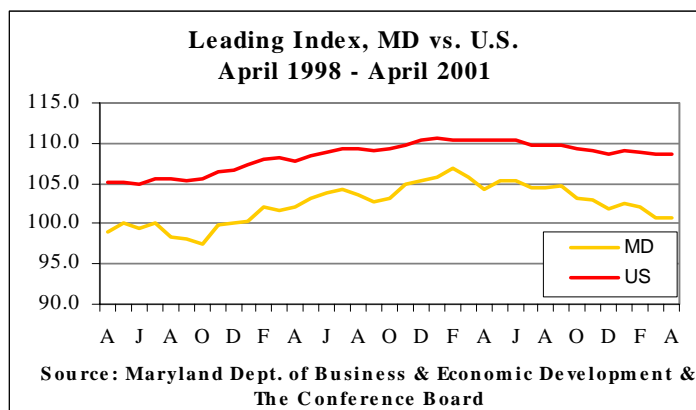
U.S. job growth rate slowed to a crawl in April, falling to 0.6 percent (annual rate). The manufacturing sector remains mired in a downturn, and the business services sector is contracting rapidly. These two sectors lost 2.8 percent and 1.4 percent of their job base during the past year. The labor force increased only 0.5 percent over the year, while the number of employed persons (by place of residence) fell slightly. As a consequence, the nation's unemployment rate jumped to 4.2 percent in April 2001 from 3.7 percent a year ago. As corporate earnings nose-dived, businesses downsized and laid off workers — mostly in manufacturing and high-tech sectors. Initial claims for unemployment insurance jumped 53 percent from April 2000 to April 2001. Personal income

and disposable personal income each increased 0.3 percent in April, slower than in March.

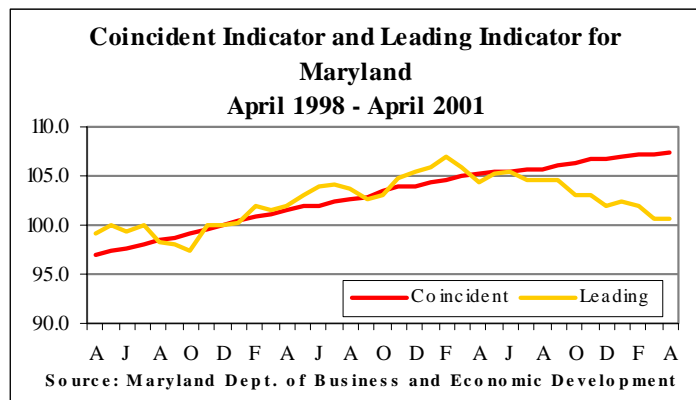
The GDP growth rate slowed considerably mainly because of a 13 percent drop in gross private domestic investment. The bright spot was a 2.9 percent increase in personal consumption expenditure, which kept GDP growth positive. Consumers spent 12 percent more on durable goods, such as automobiles and appliances. The housing market also remained fairly strong. As long as consumers remain relatively upbeat about future prospects of the economy, and keep spending, the U.S. economy will continue to grow and not slide into a recession.

Maryland Leading and Coincident Indices

The *Maryland index of leading indicators* was virtually unchanged in April 2001, holding steady at around 100.7. However, the leading index was down from 104.3 a year ago, a 3.5 percent drop. Four of the seven Maryland components provided a negative impact in April, including BWI cargo, initial claims for unemployment insurance, new residential permits, and help-wanted counts. Only one of the three national components yielded a negative impact, that being the consumer confidence index. The national leading index edged up by 0.1 in April, but was down by 1.5 percent from a year ago. The components that contributed to the increase in the index at the national level, while reflecting the aggressive easing in monetary policy since earlier this year, were relatively narrow and did not suggest that support had spread significantly to other parts of the economy. Thus, the risk of further economic weakness remains. Analysts indicate that weak growth will likely extend into the third quarter of this year, but the current reading does not yet signal a recession.



The revised coincident index moved higher to 107.3 in April, from 107.2 in March – an increase of 0.1 percent. The indicator rose by 2 percent from a year ago, up from 105.2. The



coincident index is still showing an upward trend, but the increase from a year ago continues to ease. This slowdown appears to be consistent with the readings obtained from the leading indicator for Maryland. Nationally, the coincident index held steady from the previous month and was up 1 percent from a year ago.

Maryland Leading Composite Index

Year	Month	Index	Percent Change
1998	Apr	99.0	-0.29%
1998	May	100.0	1.00%
1998	Jun	99.4	-0.66%
1998	Jul	100.0	0.68%
1998	Aug	98.3	-1.76%
1998	Sep	98.1	-0.15%
1998	Oct	97.4	-0.75%
1998	Nov	99.9	2.60%
1998	Dec	100.0	0.08%
1999	Jan	100.2	0.23%
1999	Feb	102.0	1.77%
1999	Mar	101.6	-0.38%
1999	Apr	102.0	0.40%
1999	May	103.1	1.09%
1999	Jun	103.8	0.67%
1999	Jul	104.2	0.33%
1999	Aug	103.7	-0.45%
1999	Sep	102.7	-0.96%
1999	Oct	103.1	0.36%
1999	Nov	104.9	1.74%
1999	Dec	105.4	0.49%
2000	Jan	105.9	0.45%
2000	Feb	106.9	0.98%
2000	Mar	105.8	-1.00%
2000	Apr	104.3	-1.44%
2000	May	105.2	0.92%
2000	Jun	105.3	0.08%
2000	Jul	104.5	-0.82%
2000	Aug	104.5	0.08%
2000	Sep	104.7	0.10%
2000	Oct	103.1	-1.50%
2000	Nov	103.0	-0.08%
2000	Dec	101.9	-1.02%
2001	Jan	102.5	0.50%
2001	Feb	102.0	-0.43%
2001	Mar	100.7	-1.25%
2001	Apr	100.7	-0.06%

Source: Maryland Department of Business and Economic Development

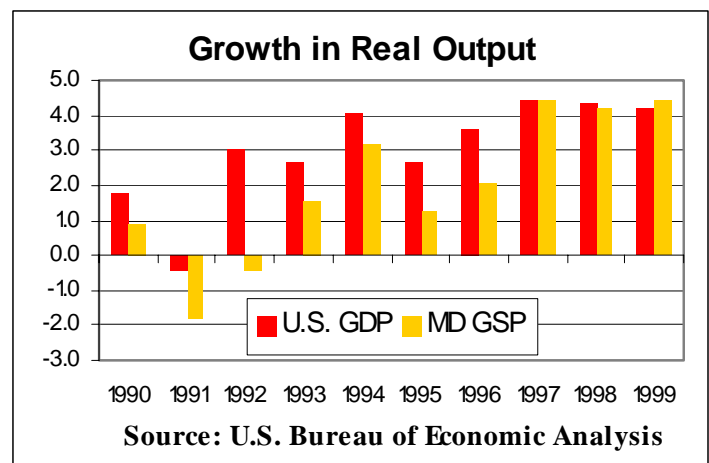
FOCUS: Maryland's Gross State Product

The gross state product (GSP) is considered to be the state's counterpart of the nation's gross domestic product (GDP) — the measure of the output of goods and services. Revised data from the U.S. Bureau of Economic Analysis show that growth in Maryland's real GSP, during the period 1997-1999, fared well with respect to other states, and was on par with the nation's real GDP growth. In contrast, over the period 1990 to 1996, Maryland lagged behind the nation and many other states in overall growth. The difference between the two periods reflects, in part, the 1990-91 national recession that produced a much deeper and longer downturn in Maryland (1990-92). Indeed, the Maryland economy did not experience an increase in output until 1993.

But this time around things appear somewhat different. While the U.S. economy has slowed rapidly, the Maryland economy appears to be holding up relatively well thus far. For one thing, Maryland's economy is less dependent on manufacturing, a sector that has been hit hard during the current slowdown. The manufacturing sector's share of GSP in 1999 was about 8 percent in Maryland, half the national figure. In addition, whereas cutbacks in federal expenditures and the downsizing of the federal government contributed to the weak economic performance in Maryland during the early 1990s, federal government spending is now providing some

stability to the region. Corporate restructuring, which played a role in the poor performance during the 1990s, has also stabilized in Maryland.

While Maryland's economy will still be influenced by the current national economic slowdown, the state appears well positioned to continue a solid growth path. Maryland will continue to build on its assets in bioscience research, business services, communication, fiber optics, information technology, distribution and other emerging growth industries that have helped transform the economic structure of the state.



Other Economic Indicators

- Maryland's labor force and employment by place of residence grew at 3.8 percent and 4.0 percent rates, respectively. By comparison, the nation's labor force grew only 0.5 percent while employment by place of residence fell slightly.
- Maryland's unemployment rate (not seasonally adjusted) fell to 3.3 percent in April from 3.5 percent a year ago. U.S. unemployment rate (also not seasonally adjusted) rose to 4.2 percent in April from 3.7 percent a year ago.
- Initial unemployment insurance claims rose 40 percent in Maryland and 53 percent in the U.S. during the past year. In recent months, this indicator has been rising sharply as businesses announced layoffs and cutbacks.
- Maryland's job growth rate fell to 1.4 percent in April, but remains fairly strong in comparison with the nation's job growth. In April the state ranked 22nd in job growth.
- With investment plans being put on hold, especially in high-tech equipment, a slowdown in productivity growth, and further job cuts and layoffs are expected.
- The *Baltimore Sun's* help-wanted counts fell 52 percent from April 2000 to April 2001.
- The U.S. manufacturing sector is in the midst of a downturn. Job losses are widespread, along with cutbacks in new equipment investment. This sector lost 3,200 jobs during the past year in Maryland — down 1.8 percent. In the U.S., manufacturing employment fell by 516,000 — down 2.8 percent.
- Weekly manufacturing hours fell to 40.0 in Maryland from 41.1 a year ago. In the U.S., manufacturing hours had a sharper decline — from 41.8 in April 2000 to 39.9 in April 2001.
- Temporary Cash Assistance (TCA) caseload fell 0.2 percent in April, after rising in March. It is too early to discern a noticeable increase in this index.
- Existing home sales were up 13 percent in Maryland from April 2000 to April 2001. In the U.S., existing home sales rose 4.2 percent.

(continued on page 5)

FOCUS: Maryland Leads the Nation in Black-Owned Businesses

Data from the U.S. Census Bureau suggest that Maryland is number one among the states in terms of black-owned businesses. In 1997, about 12 percent of all businesses in the state were owned by African Americans — the highest percentage among the nation's 50 states, and second only to the 24 percent share of businesses in the District of Columbia. This compares to a national average of only 4 percent. In addition, Maryland ranked 6th in the country in terms of the absolute number of black-owned firms.

Black-owned firms are concentrated in services, with over 25,000 companies. However, they also have a significant presence in transportation, communication, and utilities (TCU), construction, wholesale trade and retail trade. As a share of sales and receipts for all black-owned firms, services raked in 45 percent, followed by construction (14.7 percent), retail trade (12.7 percent), wholesale trade (10.2 percent) and TCU (7.8 percent).

Black-owned businesses in Maryland tend to be smaller in size. While African American businesses accounted for nearly 12 percent of the total number of companies (over 400,000 reported in Maryland), black-owned establishments represented only 1.4 percent of the total sales and receipts generated by all Maryland businesses. In addition, the average black-owned firm was much smaller than the average Maryland firm based on receipts per firm — black-owned businesses garnered \$83,265 in contrast with \$714,448 per firm for all Maryland firms.

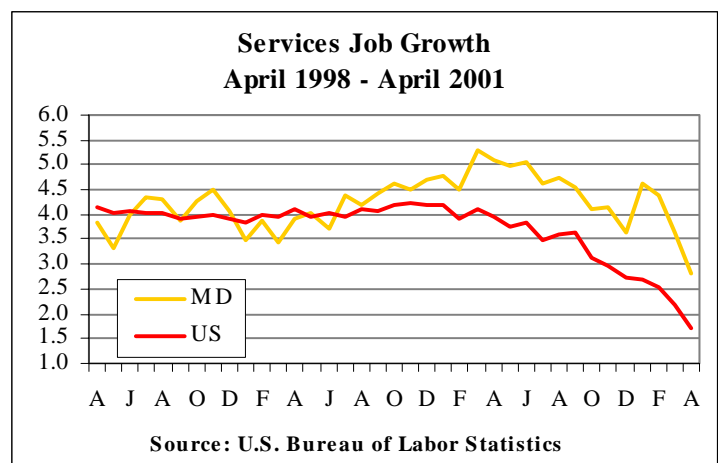
This difference in the “size” of the black-owned firm relative to all Maryland firms is more evident for “firms with paid employees.” In particular, relatively few black-owned firms (only 4.2 percent) had paid employees, and generated \$754,779 in revenue per firm. In contrast, the average Maryland firm produced \$2.75 million in revenue. Black-owned businesses had roughly 10 employees per firm, in comparison to the 19 employees per firm for all companies. The payroll per firm of all businesses amounted to \$547,477, more than double the \$224,581 for black-owned companies. The payroll per employee was also lower for black-owned firms (\$22,665) in comparison to all firms (\$28,649).

On the positive side, black-owned firms in Maryland were comparable to, or somewhat larger, than their national counterpart. Maryland businesses yielded \$83,265 in receipts per firm, in contrast to \$86,478 for all black-owned firms in the U.S. Maryland companies with paid employees posted \$754,779 in receipts per firm while the average U.S. business garnered \$604,686. Firms in Maryland had about 10 employees per firm while the number of employees per firm nationwide was roughly 8. Payroll per firm stood at \$224,581 in Maryland, compared to \$153,615 for the U.S. The payroll per employee was also higher — \$22,665 in Maryland vs. \$19,938 in the U.S.

Economic Indicators (continued from page 4)

- Permits for new residential units fell 0.9 percent in Maryland during April, the second consecutive decline.
- BWI airport reported a 13.6 percent gain in passenger volume from April 2000 to April 2001. Cargo volume, however, fell 20 percent.
- The stock market is finally beginning to rebound. The Maryland (*Sun-Bloomberg*) stock index had a healthy gain from March to April, and has gained all but 12 percent of its value from April 2000.
- New automobile registrations fell only 0.7 percent in April, after declining 14 percent in March, and 13.5 percent in February. U.S. new auto registrations fell 2.8 percent over the year.
- The hotel occupancy rate was down in March from a year ago. However, visitor volume in April was up nearly 10

percent and tax revenues also showed an increase from a year ago.



Selected Monthly Economic Indicators

Selected Indicators	Maryland					U.S.				
	Apr 2001	Mar 2001	Percent Change	Apr 2000	Percent Change	Apr 2001	Mar 2001	Percent Change	Apr 2000	Percent Change
			From Last Month		From Last Year			From Last Month		From Last Year
Labor Market										
Labor Force (U.S. in Thousands)	2,848,839	2,862,008	-0.5	2,744,851	3.8	141,073	141,751	-0.5	140,403	0.5
Employment (U.S. in Thousands)	2,754,700	2,760,479	-0.2	2,647,974	4.0	135,122	135,298	-0.1	135,215	-0.1
Unemployment Rate	3.3	3.5	-5.7	3.5	-5.7	4.2	4.6	-8.7	3.7	13.5
Sun Help-Wanted Counts, Baltimore MSA	19,548	20,621	-5.2	41,034	-52.4					
Initial Claims for Unemployment Insurance	17,528	17,095	2.5	12,524	40.0	1,538,926	1,456,730	5.6	1,005,223	53.1
TCA Caseload	29,110	29,734	-2.1	29,175	-0.2					
TCA Cases Closed	2,943	2,745	7.2	2,838	3.7					
Jobs and Sectors										
Total Non-Agricultural Employment (Thousands)	2,472.3	2,461.7	0.4	2,438.5	1.4	132,357	131,703	0.5	131,544	0.6
Construction (Thousands)	157.7	154.2	2.3	153.7	2.6	6,708	6,526	2.8	6,523	2.8
Manufacturing (Thousands)	176.3	176.8	-0.3	179.5	-1.8	17,928	18,025	-0.5	18,444	-2.8
FIRE (Thousands)	138.6	138.3	0.2	136.9	1.2	7,598	7,579	0.3	7,530	0.9
TCU (Thousands)	117.5	117.2	0.3	113.5	3.5	7,085	7,069	0.2	6,963	1.8
Trade (Thousands)	548.8	545.5	0.6	547.1	0.3	30,311	30,051	0.9	30,073	0.8
Services (Thousands)	873.0	870.0	0.3	849.0	2.8	41,010	40,771	0.6	40,315	1.7
Business (Thousands)	214.1	214.8	-0.3	212.3	0.8	9,608	9,652	-0.5	9,747	-1.4
Health (Thousands)	200.2	200.3	0.0	195.8	2.2	10,263	10,247	0.1	10,038	2.2
Government (Thousands)	459.0	458.4	0.1	457.4	0.3	21,163	21,134	0.1	21,163	0.0
Average Weekly Earnings (\$)	609.60	609.60	0.0	612.80	-0.5	588.53	597.72	-1.5	597.32	-1.5
Average Weekly Hours	40.0	40.0	0.0	41.1	-2.7	39.9	40.8	-2.2	41.8	-4.5
Business and Consumer Markets										
BWI Cargo (Metric Tons)	13,623	16,410	-17.0	16,968	-19.7					
BWI Passengers (Millions)	1.86	1.79	3.7	1.64	13.6					
Electric Meters Installed, Commercial ¹	211	262	-19.5	338	-37.6					
Electric Meters Installed, Residential ¹	1,136	1,048	8.4	1,525	-25.5					
Electricity Sales, Commercial (Millions of kWh) ¹	1.58	1.34	17.6	1.41	11.8					
Electricity Sales, Residential (Millions of kWh) ¹	1.04	1.04	0.6	0.90	15.6					
Existing Home Sales (US in Thousands)	6,337	6,092	4.0	5,609	13.0	445	429	3.7	427	4.2
New Auto Registration	34,242	33,129	3.4	34,485	-0.7	1,419,148	1,542,923	-8.0	1,459,390	-2.8
New Residential Permits Authorized	2,101	2,453	-14.3	2,120	-0.9	142,963	144,685	-1.2	135,082	5.8
Indexes										
Leading Index	100.7	100.7	-0.1	104.3	-3.5	108.7	108.6	0.1	110.4	-1.5
Help-Wanted Index	87.2	92.0	-5.2	183.1	-52.4	65	67	-3.0	89	-27.0
CPI	N/A	109.7	N/A	N/A	N/A	176.9	176.2	0.4	171.3	3.3
Stock Index	205.1	190.5	7.6	232.3	-11.7	1,189.8	1,185.8	0.3	1,461.4	-18.6
Tourism										
Hotel/ Motel Occupancy Rate (%) ²	69.2	56.9	21.6	73.2	-5.5					
State Welcome Center Visitors	212,944	147,690	44.2	194,273	9.6					
Amusement & Admission Tax (Millions of Dollars)	5.80	8.35	-30.6	4.21	37.7					
Hotel /Motel Sales Tax (Millions of Dollars)	3.49	2.89	20.5	3.40	2.6					

Notes:

(1) BGE data are for March 2001.

(2) Hotel/ Motel Occupancy Rate data are for March 2001.



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